

# BUDGET LETTER

		NUMBER:	08-25
SUBJECT:	EMPLOYEE COMPENSATION ADJUSTMENTS	DATE ISSUED:	October 02, 2008
REFERENCES:	PAY LETTERS 07-01, 07-31, 07-34, 07-35, 07-46, 07-46A, 07-46B, 07-53, 08-04, 08-06, 08-06A, 08-09, 08-11, 08-11A, 08-13, 08-17, 08-26, AND 08-27 PERSONNEL MANAGEMENT LIAISONS 2008-027, 2008-020	SUPERSEDES:	BL 07-26

TO: Agency Secretaries  
Departmental Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**Budget Officers are required to forward a copy of this Budget Letter (BL) to departmental Personnel and Labor Relations Officers.**

This BL addresses the impact of the 2008-09 employee compensation adjustments approved through the collective bargaining process and provides background information and related costing instructions for these adjustments. This BL provides departments with instructions to request additional current year and budget year funding for adjustments effective in 2008-09.

## I. Background

The state has executed Memoranda of Understanding (MOUs) with 2 of the 21 collective bargaining units (Units) for agreements covering 2008-09, one of which expired on July 2, 2008. In addition to these two contracts, 14 of the expired contracts were based on formula-driven health benefits and require the maintenance of those formulas absent a new contract. Finally some expired contracts have second-year adjustments and/or additional portions of previous salaries eligible for retirement purposes. As a result of these provisions, the following Units are scheduled to receive a compensation increase in 2008-09:

- Unit 1, Service Employees International Union (SEIU)
- Unit 2, California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment (CASE)
- Unit 4, SEIU
- Unit 5, California Association of Highway Patrolmen (CAHP)
- Unit 7, California Statewide Law Enforcement Association (CSLEA)
- Unit 8, California Department of Forestry Firefighters (CDFF)
- Unit 9, Professional Engineers in California Government (PECG)
- Unit 10, California Association of Professional Scientists (CAPS)
- Unit 11, SEIU
- Unit 12, International Union of Operating Engineers (IUOE)
- Unit 14, SEIU
- Unit 15, SEIU
- Unit 16, Union of American Physicians and Dentists (UAPD)
- Unit 17, SEIU
- Unit 18, California Association of Psychiatric Technicians (CAPT)
- Unit 19, American Federation of State, County, and Municipal Employees (AFSCME)

- Unit 20, SEIU
- Unit 21, SEIU

This letter provides departments with instructions for scheduling the 2008-09 employee compensation adjustments for state employees represented by the two Units with current agreements ratified by both membership and the Legislature, and similar adjustments for excluded employees as approved by the Department of Personnel Administration (DPA).

These instructions do not apply to personnel of the University of California, the California State University, the Hastings College of Law, or State Active Duty personnel of the Military Department.

## **II. Employee Compensation Adjustments**

### **A. Treatment of Budget Documents**

**See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), and the Governor's Budget (Detail of Appropriations and Adjustments (RWA)), Changes in Authorized Positions (CIAP), and Expenditures by Category (Summary by Object)).**

### **B. Instructions**

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Department of Finance (Finance) Budget Analysts no later than **Thursday, October 16, 2008**. The information is necessary to support the funding request and to provide the necessary scheduling information to process the Budget Executive Order to transfer appropriation authority from Item 9800 to the support appropriations for the respective departments. Refer to the following attachments to determine eligible adjustments and to prepare departmental funding requests:

- Attachment 1, DEPARTMENTAL REQUEST
- Attachment 2, LIST OF BARGAINING UNITS
- Attachment 3, LIST OF ELIGIBLE ADJUSTMENTS
  - Attachment 3a, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 7 (CSLEA)
  - Attachment 3b, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 7 (CSLEA)
  - Attachment 3c, SALARY ADJUSTMENTS FOR BARGAINING UNIT 9 (PECG)
  - Attachment 3d, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 10 (CAPS)
  - Attachment 3e, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 12 (IUOE)
  - Attachment 3f, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 16 (UAPD)
  - Attachment 3g, STEP AT MAX SALARY ADJUSTMENTS FOR BARGAINING UNIT 19 (AFSCME)
  - Attachment 3h, STEP INCREASE FOR BARGAINING UNIT 20 (SEIU)
  - Attachment 3i, LUMP SUM ADJUSTMENT DEPARTMENTS
- Attachment 4, MISCELLANEOUS AND SPECIAL SALARY ADJUSTMENTS WORKSHEET
- Attachment 5, HEALTH BENEFIT ADJUSTMENT WORKSHEET
- Attachment 6, INTERAGENCY AGREEMENT WORKSHEET
- Attachment 7, SCHEDULING WORKSHEET
- Attachment 8, PLANNING ESTIMATE ADJUSTMENT WORKSHEET (If there is a transfer or an agency secretary adjustment, please indicate all affected [budget act and non-budget act] items.)
- Attachment 9, LIST OF HEALTH, DENTAL, AND VISION BENEFIT ADJUSTMENTS

- Crossties

**To request funding for eligible adjustments, departments must complete and submit Attachments 1, 4, 5, 7, 8, and Crossties to their respective Finance Budget Analysts. Departments should submit Attachment 6 as appropriate.** After calculating the departmental total on Attachment 1, if the department total equals or exceeds \$1,000, departments must schedule the total request by appropriation item on Attachment 7 and post these adjustments on Attachment 8.

Electronic links have been added to some of the attachments to assist departments in completing them. Worksheets have been locked except for specified cells to prevent inadvertent formula changes. If additional rows are necessary in Attachment 4, be sure to maintain formulas and totals. The totals on Attachments 4, 5, and 6 will automatically flow into the appropriate areas of Attachment 1. Departments are still responsible for completing the Fund Split Total by Fund Class on Attachment 1 for both current year and budget year.

### **C. Interagency Agreements**

Contracting departments requesting funding for the employee compensation adjustments associated with increased costs of interagency agreements must coordinate with the reimbursed department in order to correctly complete Attachment 6. Attachment 6 must be completed by the department that funds the interagency agreement (contracting department). Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be eligible for an adjustment, as approved by DPA and identified in this BL.
- The reimbursed department must incur additional costs resulting from the employee compensation and benefit adjustments approved by DPA and identified in this BL. Departments are required to calculate and enter these amounts on Attachment 6. These adjustments should be calculated by the reimbursed department as part of their regular employee compensation adjustments and the amount entered as reimbursements. The contracting department must enter the amount as General Fund, special funds, or nongovernmental cost funds as appropriate on Attachment 6 (flows to Attachment 1).
- Any interagency agreement included on Attachment 6 must be amended by the affected departments to reflect the corresponding funding request.
- For each individual interagency agreement, the total adjustment must be at least **\$10,000** to be eligible for inclusion on Attachment 6.

### **D. Employer's Health Benefit Contribution**

Adjustments to the Employer's Health Benefits Contribution for 14 of the 21 Units were made because either their health benefits are formula driven or as a part of a contract. The DPA has transmitted specific health contribution adjustment data to departments through Personnel Management Liaisons (PML) 2008-020 and 2008-027. To calculate the 2008-09 Employer's Health Benefit Contribution adjustment, departments should refer to Attachment 9 and calculate the adjustment on Attachment 5.

### **E. Miscellaneous and Special Salary Adjustments**

Various employee compensation adjustments were negotiated and approved for represented employees addressed in this BL and for related excluded employees, beginning in 2008-09. The DPA has transmitted specific classification and pay adjustment data to departments through Pay Letters 07-01, 07-31, 07-34, 07-35, 07-46, 07-46A, 07-46B, 07-53, 08-04, 08-06,

08-06A, 08-09, 08-11, 08-11A, 08-13, 08-17, 08-26, and 08-27. A complete list of the salary adjustments can be found on Attachment 3.

**No additional funds will be provided for adjustments not appearing on Attachment 3. Miscellaneous and special salary adjustments will not be provided for overtime or temporary help blankets. For the 2008-09 and 2009-10 salary base, use the current year (2008-09) of the 2009-10 7A. In addition, remove major one-time reductions from the 2009-10 base.**

**Departments must pay close attention to the provisions in the MOUs for costing purposes.**

#### **F. Salary Driven Payroll Benefits – State Employer Cost**

Funding will be provided for the following salary-driven payroll benefits applicable to the miscellaneous and special salary adjustments:

- OASDI (Social Security) - 6.2 percent of total salary (base salary plus increase) up to the \$102,000 cap (for each position covered by OASDI) for 2008-09 and 2009-10.
- Medicare - 1.45 percent of total salary (no cap).
- Retirement - departments must use the 2008-09 retirement rates reflected in BL 08-14. This information will be used in completing Attachment 4 and flows to Attachment 1. Employees in the Alternate Retirement Program should be considered Tier 1 when calculating the contribution rate for this BL.
- **These benefits must be calculated based on the “net increase” on Attachment 4.**
- **Other increased costs will not be funded.**

#### **III. Due Dates**

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance Budget Analyst as soon as possible, but no later than **Thursday, October 16, 2008**. Departments should include their employee compensation adjustments in the first pass of their Three-year Schedule 10s and Budget Spreadsheets. If departments cannot include their employee compensation adjustments as part of their first pass, they should not hold up these budget documents but should include the adjustments on a subsequent pass.

#### **IV. Questions**

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or DPA.
- Treatment of budget documents should be directed to your Finance Budget Analyst.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Koreen Martone or Keith Nezaam of Finance, Employee Compensation Unit, at (916) 445-3274.

/s/ Diana L. Ducay

Diana L. Ducay  
Program Budget Manager

Attachments

## TREATMENT OF BUDGET DOCUMENTS

### A. Planning Estimates (PE)

**Employee Compensation Adjustments** – Post the Net Increase Total from Attachment 8 to PE line 0110 and the Staff Benefits Total from Attachment 8 to PE line 0120 for each item of appropriation for both current and budget years. These costs include both the miscellaneous and special salary adjustments and the health benefit adjustments, if applicable. Post the Interagency Agreement Total for the contracting department from Attachment 6 to PE line 0700.

### B. Schedule 10s

The current year Schedule 10s must reflect an adjustment for the employee compensation adjustments (Attachment 7). Using the Schedule 10s, an Executive Order will be issued to adjust departmental appropriations for the employee compensation adjustments for current year. The following example is provided as a guideline:

#### Example 1: Allocation for Employee Compensation:

Personal Services <sup>a/</sup> or Program A <sup>a/ b/</sup>	\$XXX
Reimbursements	-\$XXX
Operating Expenses and Equipment <sup>c/</sup>	\$XXX

<sup>a/</sup> Personal Services excluding those adjustments pertaining to OE&E

<sup>b/</sup> Amounts paid to other departments (Reimbursements).

<sup>c/</sup> Adjustments pertaining to Interagency Agreements only

In addition, departments are to include this amount in their 2008-09 Budget Year Schedule 10 initial authorized/expenditure totals.

### C. Automated Detail of Appropriation and Adjustments (RWA) Report

For current year, the Automated RWA Report will display the employee compensation adjustments on the line entitled "Allocation for employee compensation".

### D. Changes in Authorized Positions (Schedule 2)

Departments must post the salaries reflected on Attachment 4 for current and budget years to the Salary Adjustments line on the Changes in Authorized Positions.

### E. Expenditures by Category (Summary by Object):

Contracting agencies should include their interagency agreement totals (Attachment 6) as Operating Expenses and Equipment on the Expenditures by Category (Summary by Object). Reimbursed departments should include this total as salaries and benefits in the Summary by Object. Departments must post the remaining salaries and benefits reflected on Attachment 4 for current year and budget year to the salaries and benefits portion of the Summary by Object.

**TREATMENT OF BUDGET DOCUMENTS****F. Tie Points**

The following information must tie for current year (2008-09):

- Attachment 1: Current Year Total (2008-09)
- Attachment 1: Fund Split 2008-09 Total
- Attachment 7: 2008-09 (Current Year) Total Budget Adjustment for Employee Compensation
- Attachment 7: Total Adjustment, All Funds
- Attachment 8: 2008-09 Total Adjustment, All Funds

The same information must tie for budget year (2009-10).

Additionally, the following information must tie (links have been provided between spreadsheets):

- Attachment 4: Amount of Change to Attachment 1: Miscellaneous and Special Salary Adjustments line, Amount of Change
- Attachment 4: Salary Savings to Attachment 1: Miscellaneous and Special Salary Adjustments line, Salary Savings
- Attachment 4: Net Increase to Attachment 1: Miscellaneous and Special Salary Adjustments line, Net Increase
- Attachment 4: Staff Benefits to Attachment 1: Miscellaneous and Special Salary Adjustments line, Staff Benefits
- Attachment 4: Miscellaneous and Special Salary Adjustments line, Total Cost to Attachment 1: Total Cost
- Attachment 5: Total to Attachment 1: Health Benefits Adjustment line, Staff Benefits
- Attachment 1: Health Benefits Adjustment line, Staff Benefits to Attachment 1: Health Benefits Adjustment line, Total Cost
- Attachment 6: Total Compensation Adjustment to Attachment 1: Interagency Agreements line, Total Cost